

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 129 – HB 102

March 27, 2013

SUMMARY OF ORIGINAL BILL: Removes current population restrictions regarding counties authorized to manufacture liquor or intoxicating beverages. Authorizes the manufacture of liquor or intoxicating beverages within any municipality or unincorporated area of a county, provided the municipality or unincorporated area approves such manufacture by referendum, and further provided that retail package sales of alcohol and liquor-by-the-drink sales have been approved by such municipality or unincorporated area. Authorizes the county or municipal legislative bodies of such jurisdictions to adopt a resolution allowing or prohibiting the manufacture of liquor or intoxicating drinks.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

\$14,700/ABC Fund/FY13-14

\$23,400/ABC Fund/FY14-15

\$20,400/ABC Fund/FY15-16 and Subsequent Years

Exceeds \$100,000/FY14-15 and Subsequent Years/General Fund

Increase Local Revenue – Exceeds \$35,000/FY14-15

SUMMARY OF AMENDMENT (005744): Deletes all language after the enacting clause. Removes current population restrictions regarding counties authorized to manufacture liquor or intoxicating beverages. Authorizes the manufacture of liquor or intoxicating beverages within any municipality, unincorporated areas of a county, or a municipality which has a population of less than 1,000 persons in such county, provided the municipality or unincorporated area has approved the manufacture of such beverages by referendum, and further provided that retail package sales of alcohol and liquor-by-the-drink sales have been approved by such municipality or unincorporated area. Provides local legislative bodies of such jurisdictions a 45-day time period to pass a resolution allowing or prohibiting the manufacture of liquor or intoxicating drinks. Authorizes persons with active manufacturer license permit applications to receive such license, if they were authorized to apply prior to July 1, 2013. Authorizes qualified manufacturers to sell a limited amount of product manufactured on site at retail on the licensed premises of the manufacturer. In such situations, the manufacturer would also be authorized to provide samples with or without cost or as part of a tour of the facilities. Adds language that will require buildings used for the retail sale of a manufacturer's alcoholic beverages to comply with local distance requirements for religious buildings and elementary or secondary schools. Adds

language to clarify that manufacturers selling at retail are required to pay all applicable taxes including municipal inspection fees. The provisions of the bill as amended will take effect July 1, 2013.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

Exceeds \$17,200/ABC Fund/FY13-14

Exceeds \$25,200/ABC Fund/FY14-15

Exceeds \$22,200/ABC Fund/FY15-16 and Subsequent Years

Exceeds \$100,000/FY14-15 and Subsequent Years/General Fund

Increase Local Revenue – Exceeds \$35,000/FY14-15 and Subsequent Years

Assumptions for the bill as amended:

- Based on information provided by the Alcoholic Beverage Commission, it is estimated that at least seven new distillery licenses will be issued in FY13-14, and five additional distillery licenses will be issued in FY14-15 as a result of this bill.
- Each distillery license is subject to a \$300 one-time application fee and a \$1,000 recurring license fee. Such fee revenue shall be deposited to the ABC Fund.
- These entities will also be subject to retailer licensing fees. The one-time application fee for retailers is \$300 and the recurring license fee is \$850. Such fee revenue is deposited to the ABC Fund.
- The total increase in state revenue deposited to the ABC Fund in FY13-14 is estimated to exceed \$17,150 $[(\$300 \times 7) + (\$1,000 \times 7) + (\$300 \times 7) + (\$850 \times 7)]$.
- The total increase in state revenue deposited to the ABC Fund in FY14-15 is estimated to exceed \$25,200 $\{[(\$300 \times 5) + (\$1,000 \times 5) + (\$300 \times 5) + (\$850 \times 5) \text{ for new applicants}] + [(\$1,000 \times 7) + (\$850 \times 7) \text{ for previous applicants}]\}$.
- The total recurring increase in state revenue deposited to the ABC Fund in FY15-16 and subsequent years is estimated to exceed \$22,200 $[(\$1,000 \times 12) + (\$850 \times 12)]$.
- Additional state and local sales tax revenue will be generated by this bill as amended. These revenue collections are dependent upon several unknown factors such as the time it takes to begin production following licensing, the amount of production at each facility, the number of products produced by each distillery, and the sales prices of spirits produced. Any incremental sales tax collections for state and local governments are not anticipated until FY14-15 given the anticipated timeframe for locating and constructing the new distilleries. Given the extent of unknown factors, determining precise estimates for state and local sales tax collections are difficult. However, the recurring increase in state revenue beginning in FY14-15 is reasonably estimated to exceed \$100,000 per year, and the recurring increase in local government revenue beginning in FY14-15 is reasonably estimated to exceed \$35,000 per year.

- Any increase in state and local government expenditures for administration is estimated to be not significant.
- The new language clarifying the liability for applicable taxes including the municipal inspection fee will have no additional impact on the bill because the fiscal impact on the original bill assumed such taxes will be collected.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/cce